



Commonwealth of Massachusetts
**DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT**

Deval L. Patrick, Governor ♦ Aaron Gornstein, Undersecretary

Public Housing Notice 2014-17

To: Public Housing Authority Executive Directors
From: Steven Carvalho, Acting Associate Director for Public Housing & Rental Assistance
Subject: **FY15 Capital Program Update with Health and Safety Call for Applications**
Date: September 29, 2014

The purpose of this Public Housing Notice (PHN) is to provide all Local Housing Authorities (LHAs) important updates about DHCD's FY15 capital spending plan. Key highlights include:

1. FY14 Recap: Accomplishments and Lessons
 - a. Overall performance
 - b. 'Use it or lose it' cap on small projects
 - c. House Doctor Lite participation
 - d. 50% rebate on small project designer fees
 - e. Capital Benchmarks
2. FY15 Policy & Program updates
 - a. Rebate Available for E-hosting and E-bidding Projects
 - b. DHCD Funded Clerks of the Works on Selected Projects
 - c. Regional Capital Assistance Teams
3. FY15 Special Initiatives Overview.

(Please note that only the Health and Safety program is soliciting applications in this PHN. The rest of the initiatives are simply summarized for planning purposes.)

Attachment A: Health and Safety Application

1. FY 14 Recap: Accomplishments and Lessons

We are pleased to report that in FY14 we disbursed \$85M of bond cap. Congratulations and thank you to everyone who kept their projects moving and on schedule. FY14 was the second year that the formula funding (FF) program ran at full capacity, and the numbers show improved performance:

- a) **FF Overall: \$46.6M was reserved for FF projects in FY14; DHCD disbursed \$43M to LHAs (reaching 92% of the target!!!!!!).** This is a significant improvement over FY13, when we only reached 72% of the FF spending target. DHCD is very pleased to report that with every consecutive year, we are getting closer to spending 100% of FF.
- b) **‘Use it or Lose it’ Cap on Small Projects:** At the beginning of FY14, there was a sizable backlog of incomplete small projects that were scheduled in FY11, 12, 13, and 14. Last year, \$4.3M was dispersed for small projects, and DHCD is pleased to report that only \$1.2M in cap will be taken back as a result of no action. Note that LHAs who did not invoice for their small projects last year will not lose the award, but the cap, which means the LHA will have less spending authority and that a project might have to be deferred to a future year.
- c) **50% Rebate on Small Project Designer Fees:** In FY14, 16 LHAs took advantage of the rebate opportunity in FY14. As a reminder, LHAs are entitled to a 50% rebate on costs of hiring designers for projects under \$25,000, not to exceed \$3,000. These rebates will be included in the next CFA adjustment.
- d) **House Doctor Lite Program:** Last year, DHCD initiated a program to train architects and engineers on how to best assist LHAs with executing small projects. Twenty-eight designers attended a half-day training with DHCD and were thus designated House Doctor Lites. As licensed designers, House Doctor Lite services qualify for 50% rebate. The list of providers may be found here: <http://www.mass.gov/hed/docs/dhcd/ph/small-projects/housedoctorliteprogramforsmallproj.pdf>.
- e) **Capital Performance Benchmarks:** In May 2014, DHCD published the spending performance of all Formula Funded LHAs in FY12-13. It was the first time we evaluated our program on an LHA by LHA basis. As a whole, DHCD was pleased with the average performance for capital plan submission (87% of LHAs submit), funds contracted (34% of FF), and spending (62%). However, the report showed a wide variance in the spending and contracting categories (from 0% to over 200%).

In December, DHCD intends to publish an updated benchmark report for FY12-14 and so expects to see less variance in FF expenditures (meaning fewer LHAs with very low or very high spending rates). This time we will be reporting ‘On-Time’ versus ‘Late’ CIP submissions, so please make every effort to get your CIP submitted by the due date.

2. FY15 Policy and Program Updates

This year's bond cap is set at \$85M for state public housing. DHCD has modified and created some new programs and policies that should help with getting more projects completed on time, and therefore get us to 100% spending on CAP and on FF projects.

- a) **In FY15, DHCD is offering all LHAs a rebate on the costs of E-hosting and E-bidding.** Web-based construction bid document distribution (E-hosting) and web-based construction bidding (E-bidding) helps streamline DHCD staff project reviews, approvals, and overall management. Up until now, LHAs have had to pay for these services with their FF and so may have been reluctant to take advantage of the services. In response, DHCD has decided to rebate the cost of E-hosting and E-bidding on any project that employed one or both of these services after July 1, 2014. The rebate will automatically be incorporated into the LHA's next FF award. For more information, please contact: david.mcclave@state.ma.us
- b) **DHCD-funded Clerks of the Works will be assigned to a limited number of projects.** Certain types of projects need increased oversight during the construction process. DHCD has therefore set aside limited funds for retaining part-time Clerks of the Works on jobs that meet the following characteristics:
 - Construction costs are under \$500,000;
 - Scope of work is unusually complex and/or could have latent conditions;
 - Contractor or A/E is inexperienced or has questionable past performance.

An LHA may request a part-time clerk from DHCD but, ultimately, the use of DHCD funds for this purpose is up to the discretion of the Construction Management Unit. For more information, please contact: william.m.miller@state.ma.us

- c) **In August, Governor Patrick signed into law H.4374, "An Act Relative to Local Housing Authorities", in which Section 26C mandates the creation of three regional capital assistance teams to aid LHAs with 500 units or less** in creating capital plans, applying for funds and managing capital and maintenance projects. DHCD will be working to define this program with a stakeholder working group through the Advisory Committee for Public Housing Sustainability and Reform. We expect to release a Request for Responses within the next six months. Please stay tuned for more information.

3. FY15 Special Initiatives – How to Access

Last year, DHCD expanded funding availability for special initiatives, so we could make targeted, strategic capital investments in the state-aided portfolio. These initiatives have been so far successful in helping us lower utility costs, address long-term unit vacancy, increase accessibility, and minimize risks to the health and safety of residents. All of the other FY15 funding allocations are summarized in the table below:

Initiative	Funds to Be Awarded in FY15	Purpose	Application Process	Timeline
Sustainability	\$3M	Upgrade building components in order to save energy and water.	<i>Request funds thru CIP</i>	<i>Ongoing</i>
Health and Safety	\$3M	Reduce site and common area hazards that endanger the health and safety of residents.	Open application.	<i>Application (Attachment A) due Oct. 15, 2014</i>
Vacant Unit (up to \$25K/unit)	<i>n/a</i>	Renovate and reoccupy units needing costly rehab that have been vacant more than 60 days.	<i>LHA to note cost to reoccupy unit in new Vacancy System</i>	<i>Ongoing, after new Vacancy System is in effect (estimated Spring 2015).</i>
Vacant 705s & 667 Congregate Units (\$25k to \$65K/unit)	<i>n/a</i>	Reoccupy longer-term vacant units that need significant reprogramming and/or very costly rehabilitation.	No application. Needs based award.	<i>Direct outreach by DHCD as needed.</i>
Second Elevator	\$2M	Build second elevators in multi-story elderly buildings where the only elevator has exceeded its useful life.	No application. Needs based award.	Direct outreach by DHCD to eligible LHAs in October.
Emergency Generator	\$2M	To install emergency generators at multi-story elderly buildings with elevators.	No application. Needs based award.	Direct outreach by DHCD to eligible LHAs in October.
Accessible Unit	<i>n/a</i>	To make annual progress on reaching 5% fully accessible units.	Targeted application.	<i>No new awards until FY16, after the completion of portfolio-wide accessibility needs assessment.</i>
Disposition Initiative 705/167/689	n/a	To permit the disposition, without 1-for-1 replacement, of deteriorated 705 units that cannot feasibly be made habitable, or 689/167 developments no longer needed by DDS and DMH.	Open application if units meet criteria.	<i>Please see PHN 2013-28.</i>
HILAPP	\$10M	Leverage matching funds for developments with a high level of capital needs.	Targeted application.	<i>Rolling applications. Separate PHN in October</i>

Note that all of the special initiatives have specific threshold eligibility and prioritization criteria that are used for targeting awards. Below, we have summarized all relevant information for each initiative. Please be sure to read each section carefully before making an assumption that your LHA will be eligible for funds.

a. Sustainability Initiative - \$3M in FY15

Eligibility: In order to be considered for an award, developments must meet the threshold energy or water consumption levels, as described in guidelines below.

Criteria for selection: Proposed projects will be reviewed with each quarterly submission of CIPs, as well as upon request.

Application process: **Request Sustainability Funds in your CIP submission**, or contact betsy.a.harper@state.ma.us for ad hoc requests.

Guidelines: For the past six years, DHCD has dedicated \$2M+ per year to strategic energy and water savings capital investments, and/or toward design work that has leveraged millions in federal funding and utility energy efficiency program funding. This year DHCD will target \$3M in funds to the following types of sustainability projects:

- **Water Saving:** Up to \$750k will be disbursed for installing low-flow toilet replacements, with priority given to developments where water & sewer expenses exceed \$70 per unit per month (PUM) or where there are septic system problems;
- **Accelerating Approved Capital Projects with Energy-Saving Opportunities:** Awards up to \$200,000 per project will be provided to accelerate phased HVAC, siding, window, or roof projects so that a whole development can be upgraded by end of FY15. Awards will also be granted for augmenting scope to include energy-saving measures, such as adding insulation during siding repairs. Priority will be given to developments that consume over 700 therms per unit per year or over 8,000 kWh per unit per year. **In order to receive an award, LHAs must be fully on track to spend FF per their CIP.**
- **Energy Efficiency Measures for LHAs served by Municipal Electric & Gas Service:** Priority will be given to developments with electric use higher than 6,000 kWh per unit per year. Measures will be similar to what is offered in utility-funded efficiency programs (described below), such as refrigerators, lighting, and insulation.

In addition to the above bond-funded sustainability opportunities, we always encourage LHAs to apply for free utility-funded energy audits and efficiency upgrades. The Low-Income Multifamily Energy Retrofit (LIMF) program runs on a calendar year and has improved offerings each year since launching in 2010. The electric measures include:

- Refrigerator replacements (for models over 10 yrs. old);

- Lighting upgrades (interior fixture or bulb replacement, motion sensors in stairwells and hallways, plus exterior and common area LED fixtures and bulbs);
- Thermostats with maximum set-points;
- Heat pump water heaters to replace inefficient electric hot water heaters;
- Weatherization for electric heat units (air sealing, insulation, weather-stripping); and
- Air source heat pumps (duct-less mini-splits) to replace electric baseboard heat where kWh usage is extremely high.

The gas measures include high-efficiency boilers, weatherization as noted above, and/or customized cash incentives toward capital-funded, Ch. 149 procured heating system upgrades.

To apply for LIMF, go to www.leanmultifamily.org, and/or contact betsy.a.harper@state.ma.us.

b. Health and Safety Initiative - \$3M in FY15

Eligibility: All LHAs are invited to submit applications for funding.

Criteria for selection: DHCD Facilities Management Specialists will review all proposed projects to make sure that they fit within the definition of a true health and safety liability. **Total maximum award per LHA is estimated at \$100 per state public housing unit. In order to receive an award, LHAs must be fully on track to spend FF per their CIP.**

Application process: Return Application (Attachment A of this PHN) to amy.stitely@state.ma.us by **Wednesday, October 15, 2014 at 5pm.**

For planning purposes, **LHAs should anticipate a maximum award that is equal to \$100 per state subsidized unit.** For instance, if an LHA has 450 units of state public housing, then that LHA could expect to get up to \$45,000 (450 X 100) in funding. That said, DHCD has the discretion to award more or less than that amount depending on the situation. **LHAs should, therefore, be sure to list all potential projects on their submission sheet and rank them by priority level. A priority of '1' denotes highest importance, and the total cost of 'priority 1' projects should not exceed the \$100 per unit limit.**

Guidelines: DHCD will award \$3M in funds to LHAs for addressing health and safety hazards *in site and common areas*. Before applying, LHAs should proactively examine their properties for potential hazards that threaten the health and safety of residents, staff, and visitors. Awards will be for capital projects that:

- If *not* completed, could put the LHA (and indirectly DHCD) at risk for future liability claims;
- Require between \$1,000 and \$25,000 in capital funds; and
- Can be fully completed in the current state fiscal year (by June 30, 2015).

As was true in FY13 and 14, awards will not carry over into the next fiscal year. DHCD will recoup all unspent Health and Safety funds. This initiative is specifically targeting the following types of work:

- Eliminating on-site trip and fall hazards, such as: damaged stair treads and nosing, damaged front & rear thresholds, pot holes in driveway areas or walkways, and ponding areas that lead to water & ice build-up;
- Replacing damaged, loose, or missing handrails;
- Replacing on-site public safety lighting;
- Removing trees or large tree limbs near buildings or power lines;
- Replacing windows with damaged balances; and
- Replacing broken doors or inoperable door closers that lead to slamming doors.

If you have a capital project that supports the health and safety of residents, but is not described above, you may still submit this item in your application for consideration. However, the DHCD Facilities Management Specialists will be reviewing all proposed projects to verify that they fall within the definition of a true health and safety liability. Since DHCD is funding this initiative through the Capital Bond Account, all projects must qualify as bond-funded, capital expenses. (See [Public Housing Notice 2012-12](#), dated 12/28/2012, for detailed criteria.)

If you have questions about the Health and Safety Program, please contact amy.stitely@state.ma.us.

c. Vacant Unit Initiative (up to \$25K/ unit) – Funds available, as needed

In the past three years, about 500 units were reoccupied through the Vacant Unit Initiative, which granted funding for the modernization and repair of long term vacant units. **Moving forward, DHCD will no longer solicit applications for this initiative.**

Instead, DHCD will be creating a new online vacancy reporting system that will target funds to units where LHAs have requested a “type 6” waiver (unit vacant due to need for major unfunded mod work or mold abatement). It is estimated that the system will launch in the spring of 2015. In the meantime, if an LHA needs extra funds to cover the modernization costs of reoccupying a unit (must be vacant over 60 days), please follow the guidance below:

- **For projects with costs under \$3,500 per unit**, only when the LHA does not have sufficient operating reserves, contact your assigned DHCD Housing Management Specialist to request a budget exemption.

NOTE: In order to receive a turnover award in excess of \$3,500 per unit, an LHA must first contribute any operating reserve amount in excess of 70% and show that no other CIP projects may be deferred.

- **For projects with costs between \$3,500 and \$25,000**, include the re-occupancy project in your CIP, or do a CIP revision. LHA must defer all other non-urgent FF projects.
- **For requests over \$25,000**, contact your assigned Project Manager. After the Project Manager reviews the request, a DHCD Facilities Management Specialist will come to the LHA for a site visit. Both Project Manager and Housing Management Specialist must approve and submit a request for DHCD emergency reserve funds. If approved, a DHCD architect will draft the scope

of work. Depending on the urgency of other planned projects, you may be asked to contribute FF to the project.

d. Vacant 705/667 Congregate Initiative (\$25K to \$65K/unit) – Funds available, as needed

Eligibility: Awards for this program will be limited to units at ch. 705 or ch. 667 congregate developments that meet the following criteria:

- Have been vacant for more than 60 days and/or have a historically high level of chronic vacancy;
- Cannot be rehabilitated within the constraints of existing resources, including a reasonable allocation of FF; and
- Can be returned to habitability with \$25,000 to \$65,000 in additional resources.

Criteria for selection: Awards will be prioritized based on a needs-based assessment that considers data from the DHCD Vacancy Ledger and site visits.

Application process: No application. DHCD will outreach directly to LHAs with developments that meet eligibility criteria.

Guidelines: This initiative awards grants up to \$65,000 per unit to cover the following scopes of work:

- **Ch. 705 units:** Repairs and modernization sufficient to ensure the unit(s) can be reoccupied and maintained with formula funding for the next 15 years.
- **Ch. 667 congregate units:** The redesign and/or rehabilitation of existing units where current programming and layout of units (primarily shared living) has led to a chronic history of vacancies. The goal is to improve units so they fit the needs of the existing program or reconfigure the layout to meet another program for which there is greater demand (e.g. converting to conventional one-bedroom senior housing).

Awards will be limited up to a maximum of \$65,000/unit. However, LHAs may contribute FF for projects that exceed this limit.

If you have questions about the Vacant 705/667 Congregate Unit Program, please contact paul.mcpartland@state.ma.us.

e. Second Elevator Initiative - \$2M in FY15

Eligibility: Awards for second elevators will be limited to ch. 667 multi-story developments with a single passenger elevator.

Criteria for selection: Awards will be targeted to developments according to the following principles:

- Age of single elevator (30 years or older);

- Number of floors (4 minimum); and
- Number of units that are above the second floor.

Application process: No application. DHCD will outreach directly to LHAs with developments that meet the selection criteria.

Guidelines: A needs assessment has shown that approximately 89 Ch. 667 buildings are multistory with a single passenger elevator(s). Of these 89 buildings, 13 are of greatest concern because a 30-plus-year-old elevator serves four or more floors of units. Loss of an elevator for any period of time at one of these buildings would be a major inconvenience to residents, and the cost and process of relocation would be extremely disruptive. It is, therefore, important that we take proactive steps to avoid the situation of component failure.

DHCD will allocate at least \$1M annually toward the construction of new passenger elevators at the above-mentioned 89 buildings, beginning with those 13 that meet the priority criteria. DHCD will contact the affected housing authorities as funding is available to start projects.

If you have questions about this new Single Elevator Program, please contact cindy.zabriskie@state.ma.us.

f. Emergency Generator Initiative - \$2M in FY15

Eligibility: Awards will be limited to ch. 667 multi-story, elevator developments that are not already required by code to have an emergency generator (buildings less than 70 feet in height).

Criteria for selection: Developments will be prioritized based on the number of units that require an elevator or stairs to exit the building.

Application process: No application. DHCD will outreach directly to LHAs with developments that meet selection criterion.

Guidelines: During storms and extreme weather events, loss of electric power, for any length of time, can be a hardship for residents, particularly in situations where a resident needs power for an oxygen pump or other special equipment in order to maintain his/her health. Elderly residents in multi-story public housing developments are at a distinct disadvantage during power outages; if the elevator becomes inoperable, then they may be stranded indefinitely.

DHCD used to prohibit an LHA from spending FF on an emergency generator that was not required by code so long as there were other high priority projects in the CIP. In September 2013, DHCD amended this policy so that LHAs may now apply FF to emergency generator installation so long as any other 'unselected' high priority capital needs can be deferred and funded by a future formula funding award.

In addition, DHCD will make at least \$1M of bond cap available each year for installing new generators at multi-story Ch. 667 buildings with elevators. DHCD intends to make 8 to 10 awards per year and prioritize by the criterion listed above. In FY15, the awards will be restricted to buildings with 40 or

more units that require an elevator or stairs to exit. We will soon contact this year's eligible housing authorities to begin initiating projects.

LHAs that would like to proceed with a generator project using their own FF should include the project in their CIP. Questions about the special emergency generator awards may be directed to cindy.zabriskie@ma.state.us.

g. Accessible Unit Initiative – No funds available at this time

Eligibility: Ch. 200, 705, 667 developments managed by LHAs that have less than 5% accessible units per applicable program (family or elderly) may apply for an award; however priority will be given to those LHAs that currently have zero accessible family and/or elderly units.

Criteria for selection: Awards will be targeted to developments according to the following principles:

- Prior, pending, and/or potential litigation or administrative complaints regarding lack of accessibility or other accessibility issues;
- Low supply of accessible units (% available for each program);
- High need/demand for accessible units, as demonstrated by waitlist or other local data;
- Ability to convert unit for a reasonable cost (less than \$80,000 per elderly unit and less than \$250,000 per family unit);
- Total number of units that would be taken offline in renovation and would require tenant relocation;
- Consistency with LHA's ADA self-evaluation and transition plan; and
- Ability to leverage other non-DHCD funding sources for the project.

Application process: DHCD is not soliciting applications at this time.

Guidelines: DHCD is committed to increasing the number of accessible units across the entire public housing portfolio and has a goal of having 5% accessible units within every program (elderly, family, and special needs). In FY14, we granted \$2.5M in awards to convert 21 units into being fully accessible.

However, we will not be granting any more awards until after DHCD completes the portfolio-wide Accessibility Needs Assessment (estimated to be finished in summer 2015). If you have questions about the Accessible Unit Program, please contact amy.stitely@state.ma.us.

h. Special 689/705 Disposition Initiative

Eligibility: Units eligible for consideration for disposition or demolition without replacement include:

- Ch. 705 units that were vacant prior to November 1, 2012 and have remained vacant since then;
- Ch. 689 and ch. 167 units that are currently vacant.

Criteria for selection: DHCD and LHA Board must both determine that:

- It is not financially feasible to bring the unit(s) up to a reasonable program standard for occupancy or permissible to convert units to another low-rent housing program; and
- The inventory of available housing units remaining in the surrounding community would not be substantially diminished as a result of disposition or demolition.

Application process: Details in PHN 2013-28

Guidelines: The Commonwealth's FY14 budget included, at DHCD's request, language authorizing the sale, without 1-for-1 replacement, of vacant c. 689 and c. 167 community residences and certain c. 705 units. (Note that the sale without replacement of c. 200 and c. 667 units was not authorized). The purpose of this bill was to permit the disposition of the programs' most troubled structures which could not feasibly be made habitable, and for which funds were not available to build or buy the statutorily-required replacement unit.

The key requirements are that:

- DHCD and the LHA must determine that it is not financially feasible to re-use the building;
- Disposition will not significantly diminish the community's inventory of available housing units;
- If it is a c.705 unit, it must have been vacated prior to 11/1/12; and
- If it is a vacant c. 689 or c. 167 unit, DHCD must receive written confirmation from both the Department of Developmental Services and the Department of Mental Health that it is obsolete and inappropriate for housing their clients.

Units must be sold per the requirements of MGL c. 30B, sec. 16, with priority given to buyers who commit to maintaining permanent affordability at the site. Sales proceeds are deposited in a DHCD-controlled trust, to be used for capital improvements at other c. 705, 689 and 167 units. A link to the budget's Outside Section 104 can be found here: http://www.mass.gov/bb/gaa/fy2014/os_14/h104.htm.

PHN 2013-28 outlines the process to identify, evaluate and sell units under this new provision: <http://www.mass.gov/hed/docs/dhcd/ph/publicnotices/13-28.pdf>. If you have questions, please contact paul.mcpartland@state.ma.us.

i. High Leverage Asset Preservation Program (HILAPP) - \$10M in FY15

Eligibility: State-aided public developments with an FCI higher than 15% as of December 31, 2013 will be eligible for consideration. The eligible development list will be updated on an annual basis. In order to be considered for an award, LHAs must be up to date on all operating and capital reports and certifications.

Criteria for selection: The criteria for evaluating applications includes:

- Amount of leverage funding (minimum of \$.30 for every DHCD dollar) and reliability of source (likelihood of securing the match);

- Soundness of proposed scope (is adequate, but not excessive, and still addresses 20 years of capital needs);
- LHA operating management and project management capacity; and
- Community need.

Application process: A new PHN is forthcoming announcing that applications will be accepted on a rolling basis.

Guidelines: The guidelines for eligibility and criteria for evaluating applications will be the same, or similar, to those in the second HILAPP RFP (PHN 2014-02), which can be found here:

<http://www.mass.gov/hed/housing/ph-mod/high-leverage-asset-preservation-program-hilapp.html>.

If you have questions about HILAPP, please contact amy.stitely@state.ma.us.